

Message Text

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53

ACTION NEA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 L-02

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 USIA-15 PRS-01

EB-07 COME-00 TRSE-00 OMB-01 AID-05 OPIC-06 SIL-01

LAB-03 /087 W

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R 291048Z NOV 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4751

UNCLAS TEL AVIV 6900

DEPT ALSO FOR NEA/EX

E.O. 11652: N/A

TAGS: ELAB, IS

SUBJ: COST-OF-LIVING ALLOWANCE NEGOTIATIONS

REF: TEL AVIV 6771

1. NEGOTIATIONS BETWEEN HISTADRUT, GOVERNMENT AND EMPLOYER REPRESENTATIVES HAVE PRODUCED TENTATIVE AGREEMENT ON GUIDELINES FOR PAYING COST-OF-LIVING ALLOWANCE (COLA). DECEMBER 1 CONSUMER PRICE INDEX WILL BE USED FOR COMPUTING COLA PAYMENT INSTEAD OF JANUARY INDEX. PAYMENTS WILL START JANUARY, RETROACTIVE TO DECEMBER 1. PAYMENTS IN CASH WILL BE MADE ON COLA FOR FIRST IL 700 BASE PAY, AND PAYMENTS ON NEXT IL 300 TO BE MADE IN INDEX-LINKED GOVERNMENT BONDS MATURING IN 15 YEARS. UNDER AGREED GUIDELINES MAXIMUM TOTAL COLA PAYMENT WILL BE AROUND IL 300 PER MONTH, OF WHICH UP TO IL 200 WILL BE MADE IN CASH.

2. FINAL AGREEMENT ON COLA STILL HAS TO BE CONCLUDED IN NEGOTIATIONS SCHEDULED FOR NEXT WEEK BETWEEN HISTADRUT AND EMPLOYER ORGANIZATION. EMPLOYERS AND GOVERNMENT ARE INSISTING THAT CURRENT WAGE AGREEMENTS BE EXTENDED AT LEAST ONE YEAR, INSTEAD OF THREE MONTHS AS NOW

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PROPOSED BY HISTADRUT. EMPLOYERS ALSO INSIST THAT FRINGE BENEFITS

NOT BE PAID ON NEW COLA ADJUSTMENT.

3. ON ISSUE OF JULY 1975 COLA, HISTADRUT HAS STATED IT WILL FORMULATE ITS POSITION IN JUNE, AFTER IT HAS HAD OPPORTUNITY TO EXAMINE ECONOMIC IMPACT OF NEW COLA PAYMENTS ON EMPLOYMENT AND INFLATION. IN MEANTIME HISTADRUT HAS OUTLINED PROPOSALS TO ACHIEVE GREATER EQUALITY OF SACRIFICE, INCLUDING TAX ON INCOME FROM INDEX-LINKED GOVERNMENT BONDS, WHICH IS CURRENTLY NOT TAXED, AND INTEREST ON BACK INCOME TAX OWED BY SELF-EMPLOYED (ESTIMATED BY HISTADRUT AT IL TWO BILLION). SOME GOVERNMENT OFFICIALS HAVE URGED REVIEW OF TRADITIONAL COLA SYSTEM AND FOOD SUBSIDIES IN CONTEXT CURRENT ECONOMIC SITUATION IN ISRAEL, AS WELL AS REVIEW OF ELEMENTS OF WAGE STRUCTURE AND TAX SYSTEM WHICH INHIBIT WORK INCENTIVES.
KEATING

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